

conditions to the advance of funds. Involved in this determination are:

A loan budget, feasibility study, characteristics letter, loan recommendation, and release of funds. This CFR part supersedes all RUS Bulletins that are in conflict with it.

(c) See 7 CFR part 1735 on general loan policies, 7 CFR part 1737 for details on submitting a loan application, and 7 CFR part 1744 on the advance of funds.

#### § 1737.2 Definitions.

As used in this part:

*Access line* means a transmission path between user terminal equipment and a switching center that is used for local exchange service. For multiparty service, the number of access lines equals the number of lines/paths terminating on the mainframe of the switching center.

*Acquisition* means the purchase of another telephone system, lines, or facilities whether by acquiring telephone plant in service or majority stock interest of one or more organizations.

*Administrator* means the Administrator of RUS.

*Area Coverage* means the provision of adequate telephone service to the widest practical number of rural users during the life of the loan.

*Advance of funds* means the transferring of funds by RUS to the borrower's construction fund.

*Borrower* means any organization which has an outstanding loan made or guaranteed by RUS, on which is seeking such financing.

*Characteristics letter* means the letter informing the borrower of the characteristics of the proposed loan before the loan is recommended.

*Feasibility study* means the pro forma financial analysis performed by RUS to determine the economic feasibility of a loan.

*Forecast period* means the time period beginning on the date (base date) of the borrower's balance sheet used in preparing the feasibility study and ending on a date equal to the base date plus the number of years estimated in the feasibility study for the completion of the project. Feasibility projections are usually for 5 years, see §1737.70(a). For example, the forecast period for a loan

based on a December 31, 1990 balance sheet and having a 5-year estimated project completion time is the period from December 31, 1990 to December 31, 1995.

*Guaranteed loan* means a loan guaranteed by RUS under section 306 of the RE Act bearing interest at a rate agreed to by the borrower and the lender.

*Hardship loan* means a loan made by RUS under section 305(d)(1) of the RE Act bearing interest at a rate of 5 percent per year.

*Initial loan* means the first loan made to a borrower.

*Interim construction* means the purchase of equipment or the conduct of construction under an RUS-approved plan of interim financing.

*Interim financing* means funding for a project which RUS has acknowledged will be included in a loan, should said loan be approved, but for which RUS loan funds have not yet been made available.

*Loan* means any loan made or guaranteed by RUS.

*Project* means the improvements and telephone facilities financed by a particular RUS loan.

*RE Act* means the Rural Electrification Act of 1936, as amended (7 U.S.C. 901 *et seq.*).

*RUS cost-of-money loan* means a loan made under section 305(d)(2) of the RE Act bearing an interest rate as determined under 7 CFR 1735.31(c). RUS cost-of-money loans are made concurrently with RTB loans.

*Release of funds* means determination by RUS that a borrower has complied with all of the conditions prerequisite to the advances as set forth in the loan contract to the extent deemed necessary by RUS for approval of the use of loan funds and any required equity or other nonloan funds.

*Reserves* means loan or nonloan funds that have not been encumbered. Funds are encumbered when they have been set aside for by RUS for a particular loan purpose.

*RTB loan* means a loan made by the Rural Telephone Bank (RTB) under section 408 of the RE Act bearing an interest rate as determined under 7 CFR 1610.10. RTB loans are made concurrently with RUS cost-of-money loans.

### § 1737.3

*Rural area* means any area of the United States, its territories and possessions (including any area within the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau) not included within the boundaries of any incorporated or unincorporated city, village or borough having a population exceeding 5,000 inhabitants. The population figure is obtained from the most recent data available, such as from the Bureau of the Census and Rand McNally and Company. For purposes of the "rural area" definition, the character of an area is determined as of a time the initial loan for the system is made.

*Special project* means facilities involving investment in excess of \$100,000 for any single subscriber.

*Subscriber* means the same as access line.

*Subsequent Loan* means any loan to a borrower which has already received a loan.

*Telephone service* means any communication service for the transmission or reception of voice, data, sounds, signals, pictures, writing, or signs of all kinds by wire, fiber, radio, light, or other visual or electromagnetic means and includes all telephone lines, facilities and systems to render such service. It does not mean:

- (1) Message telegram service;
- (2) Community antenna television system services or facilities other than those intended exclusively for educational purposes; or
- (3) Radio broadcasting services or facilities within the meaning of section 3(o) of the Communications Act of 1934, as amended.

*Times Interest Earned Ratio (TIER)* means the ratio of a borrower's net income (after taxes) plus interest expense, all divided by interest expense. For the purpose of this calculation, all amounts will be annual figures and interest expense will include only interest on debt with a maturity greater than one year.

[54 FR 13356, Apr. 3, 1989. Redesignated at 55 FR 39396, Sept. 27, 1990, as amended at 56 FR 26598, June 10, 1991; 58 FR 66256, Dec. 20, 1993]

### § 1737.3 Availability of RUS forms.

Single copies of RUS forms and publications cited in this part are available

### 7 CFR Ch. XVII (1-1-15 Edition)

from Administrative Services Division, Rural Utilities Service, United States Department of Agriculture, Washington, DC 20250. These RUS forms and publications may be reproduced. The terms "RUS form", "RUS standard form", and "RUS specification" have the same meanings as the terms "REA form" "REA standard form", and "REA specification", respectively, unless otherwise indicated.

[54 FR 13356, Apr. 3, 1989. Redesignated at 55 FR 39396, Sept. 27, 1990, as amended at 59 FR 66441, Dec. 27, 1994]

### §§ 1737.4-1737.9 [Reserved]

## Subpart B—Preapplication Stage

### § 1737.10 Initial contact.

Initial loan applicants seeking assistance should write the Rural Utilities Service, United States Department of Agriculture, Washington, DC 20250. A field representative will be assigned by RUS to visit the applicant and discuss its financial needs and eligibility. Existing borrowers initiate the contact directly with their assigned field representative. Borrowers consult with RUS field representatives and headquarters staff, as necessary.

### § 1737.11 Preapplication determinations.

Before submitting an application to RUS, the borrower should consider the following:

(a) *Area to be served.* The proposed service area should neither include subscribers already receiving adequate service from another telephone system nor leave out unserved pockets of potential subscribers who have indicated an interest in service and are located between the proposed system and neighboring systems. See 7 CFR 1735.11 on Area Coverage and 7 CFR 1735.12 on Nonduplication. In establishing service area boundaries, borrowers should consider the location of adjoining systems, natural boundaries such as rivers and mountains, and economic and cultural features such as trading and community centers.

(b) *Number of subscribers.* The borrower must estimate the number of subscribers that will request service from the proposed system.